IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF NEW YORK

SEARS PETROLEUM & TRANSPORT CORP., *et al.*,

Plaintiffs,

Civ. Action No.
5:03-CV-1120 (DEP)

vs.

ARCHER DANIELS MIDLAND COMPANY, *et al.*,

Defendants.

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DAVID E. PEEBLES
U.S. MAGISTRATE JUDGE

DECISION AND ORDER

On January 17, 2006 I issued an order which, *inter alia*, effectuated dismissal of a cause of action asserted by plaintiffs Sears Petroleum and Transport Corp. ("Sears Petroleum") and Sears Ecological Applications Co., LLC ("SEACO") (collectively "Sears") alleging unfair competition under New York common law. That determination was based upon plaintiffs' failure to allege the necessary misappropriation of labor, skill and expenditures required to support such a cause of action.

Plaintiffs now seek reconsideration of my prior order, asserting that under New York law an unfair competition claim may be based upon fraud or misrepresentation without the additional requirement that a

misappropriation also be proven. For the reasons set forth below plaintiffs' motion, which is opposed by all defendants, is denied.

I. BACKGROUND

Central to the infringement claims in this action are two separate patents, United States Patent No. 6,299,793 (the "'793 Patent") entitled "Deicing Solution", issued on October 9, 2001 and assigned to Sears Petroleum, and United States Patent No. 6,582,622 (the "'622 Patent") also entitled "De-icing Solution", issued on June 24, 2003 to Sears Petroleum. Those patents grow out of development by Sears and one of its principals, David Wood, with the aid of Robert Hartley, a Canadian chemist retained to assist them, of an improved roadway de-icing agent lacking certain undesirable characteristics linked to previously available commercial products, many of which were derived from agricultural wastes and residues.

At some time in or prior to October of 2001, Sears became aware of efforts to market a CALIBER brand of de-icing products which included, as constituents, an aqueous solution comprised of corn syrup and magnesium chloride. Following issuance of the '793 patent, Sears directed its counsel to contact defendant Minnesota Corn Products ("MCP"), an entity allegedly involved, together with Glacial Technologies

("GT"), also a defendant in the case, in development of the CALIBER product to advise it of the issuance of the '793 patent and its belief that the CALIBER product infringed the claims of that patent.[1] MCP responded by letter dated October 30, 2001 from its patent counsel, outlining its position that the '793 patent claims do not cover the CALIBER product, and that in any event the '793 patent claims are invalid. Following unsuccessful efforts to negotiate a license under the '793 patent with MCP and its affiliate, GT, for their CALIBER products and an agreement to jointly market CALIBER and SEACO's ICE-BE-GONE II product, and upon learning that GT was planning to introduce CALIBER into the New England market, Sears filed suit alleging defendants' infringement of the '793 and '622 patents.

II. PROCEDURAL HISTORY

Plaintiffs commenced this action on September 12, 2003, and on November 3, 2003 filed an amended complaint as a matter of right. Dkt. Nos. 1, 5. In their complaint, as amended, plaintiffs have named several defendants including 1) ADM, a Delaware corporation with its principal place of business in Decatur, Illinois; 2) MCP, a Minnesota corporation with a principal place of business in Marshall, Minnesota; 3) Deicer USA,

[1] According to plaintiffs' amended complaint, MCP merged into defendant Archer Daniels Midland Company ("ADM") in September of 2002.

LLC ("DUSA"), a Minnesota limited liability company with a principal place of business in Decatur, Illinois, and alleged to be an affiliate of ADM; 4) MLI, an Ohio limited liability company with its principal place of business in Columbus, Ohio; and 5) GT, an Ohio limited liability company with a principal place of business in Melvern, Ohio, and alleged to constitute a joint venture between DUSA and MLI.

On December 6, 2005 the ADM defendants moved seeking dismissal of two counts of plaintiffs' second amended complaint, filed on November 14, 2005, Dkt. No. 73, including their third cause of action, alleging fraudulent misrepresentation, and fourth claim, alleging unfair competition. Dkt. No. 91. Defendant MLI later joined in that motion. Dkt. No. 92. Following the filing of opposition by the plaintiffs on December 27, 2005, Dkt. No. 96, I conducted a hearing on January 11, 2006 to address the motions.[2] At the close of the hearing a bench decision was rendered disposing of the motions; that bench decision was later memorialized in an order issued on January 17, 2006. Dkt. No. 100. In that order I granted dismissal of plaintiff's third cause of action, alleging fraudulent misrepresentation, as against defendant MLI, but denied the ADM defendants' motion to dismiss that claim as against them. *Id.*

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[2] This action is before me on consent of the parties, pursuant to 28 U.S.C. § 636(c). *See* Dkt. No. 51.

Defendants' motion to dismiss plaintiffs' claim for unfair competition was granted in all respects. *Id.*

On January 27, 2006 plaintiffs timely moved for reconsideration of the portion of that order directing dismissal of Sears' unfair competition cause of action. Dkt. No. 110. Opposition to that motion has been filed on behalf of the ADM defendants, Dkt. No. 121, as well as by defendant MLI. Dkt. No. 122. The Sears parties have subsequently replied by memorandum further supporting their request for reinstatement of the unfair competition claim and addressing the arguments raised in opposition to their motion. Dkt. No. 127.

III. DISCUSSION

A. Governing Standard

Plaintiffs' motion implicates both Rule 60(b) of the Federal Rules of Civil Procedure and Northern District of New York Local Rule 7.1(g).[3] In

[3] Rule 60(b) directly addresses the standard to be applied when relief from a final judgment or order is sought, and provides in relevant part that

> [o]n motion and upon such terms as are just, the court may relieve a party . . . from a final judgment, order, or proceeding for the following reasons: (1) mistake, inadvertence, surprise, or excusable neglect; (2) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b); (3) fraud (whether heretofore denominated intrinsic or extrinsic), misrepresentation, or other misconduct of an adverse party; (4) the judgment is void; (5) the judgment has been satisfied, released, or discharged, or a prior judgment upon which it is based has been reversed or

this district, reconsideration of an order entered by the court is appropriate upon a showing of "(1) an intervening change in controlling law, (2) the availability of new evidence not previously available, or (3) the need to correct a clear error of law or prevent manifest injustice." *In re C-TC 9th Ave. P'ship*, 182 B.R.1, 3 (N.D.N.Y. 1995) (McAvoy, C.J.); *see also Cayuga Indian Nation of New York v. Pataki*, 188 F. Supp. 2d 223, 244 (N.D.N.Y. 2002) (McCurn, S.J.) (citing *Sumner v. McCall*, 103 F. Supp. 2d 555, 558 (N.D.N.Y. 2000) (Kahn, J.)). Applications for reconsideration are also subject to an overarching "clearly erroneous" gauge. *Sumner*, 103 F. Supp. 2d at 558.

The required benchmark for seeking reconsideration of a court's order has been described as "demanding[.]" *Id.* A motion for reconsideration is not a vehicle through which a losing party may raise arguments that could have been presented earlier but for neglect, nor is it a device "'intended to give an unhappy litigant one additional chance to sway the judge.'" *Brown v. City of Oneonta, New York*, 858 F. Supp. 340,

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> otherwise vacated, or it is no longer equitable that the judgment should have prospective application; or (6) any other reason justifying relief from the operation of the judgment[.]

Fed. R. Civ. P. 60(b). Local Rule 7.1(g), on the other hand, merely details a procedure to govern motions for reconsideration, without prescribing a standard for determining such applications. N.D.N.Y.L.R. 7.1(g).

342 (N.D.N.Y. 1994) (McAvoy, C.J.) (quoting *Durkin v. Taylor*, 444 F. Supp. 879, 889 (E.D.Va. 1977)). To qualify for reconsideration, "[t]he moving party [must] point to controlling decisions or data that the court overlooked – matters, in other words, that might reasonably be expected to alter the conclusion reached by the court." *Shrader v. CSX Transp., Inc.*, 70 F. 3d 255, 257 (2d Cir. 1995) (citations omitted).

B. Unfair Competition

The tort of unfair competition, as governed by New York law, has been variously characterized as addressing "the 'incalculable variety' of illegal practices falling within the unfair competition rubric, . . . a 'broad and flexible doctrine' that depends 'more upon the facts set forth. . . than in most causes of action,'. . . [and] broadly described as encompassing 'any form of commercial immorality[.]'" *Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broadcasting System, Inc.*, 672 F.2d 1095, 1105 (2d Cir. 1982) (quoting, *inter alia*, *Ronson Art Metal Works, Inc. v. Gibson Lighter Mfg. Co.*, 3 A.D.2d 227, 230-31, 159 N.Y.S.2d 606, 609 (1st Dept. 1957) and *Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 199 Misc. 786, 792, 796, 101 N.Y.S.2d 483, 488, 489, 492 (N.Y. Co. Sup. Ct. 1950), *aff'd mem,* 279 A.D.2d 632, 107 N.Y.S.2d 795 (1st Dept. 1951). While the Second Circuit has noted that "[t]he tort is

adaptable and capacious", it has also acknowledged the susceptibility of "such an amorphous cause of action" to "mischievous application[.]" *Roy Export*, 672 F.2d at 1105.

The contours of the tort of unfair competition in New York are unquestionably amorphous. One judge of this court has described the cause of action by observing that

> [u]nder New York law, "the gravamen of a claim of unfair competition is the bad faith misappropriation of a commercial advantage belonging to another by infringement or dilution of a trademark or trade name or by exploitation of proprietary information or trade secrets." The essence of an unfair competition claim is that one may not misappropriate the results of the labor, skills and expenditures of another[.]

Norbrook Labs. Ltd. v. G.C. Hanford Mfg. Co., 297 F. Supp.2d 463, 491 (N.D.N.Y. 2003) (Munson, S.J.) (internal citations omitted); *see also Innoviant Pharmacy, Inc. v. Morgenstern*, 390 F. Supp.2d 179, 194 (N.D.N.Y. 2005) (citing *Norbrook*). The breadth of the tort and its potential for applicability in a variety of settings is readily apparent from this description of its elements. Yet, despite its expansivity, the tort of unfair competition is not implicated in every instance of disgraceful business behavior. *See H.L. Hayden Co. of New York, Inc. v. Siemens Med. Sys., Inc.*, 879 F.2d 1005, 1024-25 (2d Cir. 1989); *Ruder & Finn Inc. v.*

Seaboard Surety Co., 52 N.Y.2d 663, 670-72, 422 N.E.2d 518, 522, 439 N.Y.S.2d 858, 862 (1981).

In their second amended complaint, plaintiffs allege that by disingenuously engaging in continuing negotiations for a joint marketing arrangement with Sears, with no intention of entering into such an arrangement, "while secretly attempting to provoke an interference of the '793 Patent" and causing Sears to assist them the introduction of their CALIBER brand road deicers, the defendants committed the tort of unfair competition. *See* Second Amended Complaint (Dkt. No. 73) ¶¶ 50-53. I ordered dismissal of that cause of action based upon plaintiffs' failure to allege defendants' misappropriation of Sears' commercial advantage in the sense contemplated by the New York common law of unfair competition.

In an effort to revitalize their unfair competition claim plaintiffs cite several cases which, they maintain, eliminate the need to prove a misappropriation in order to sustain an unfair competition claim, and instead suggest that mere misappropriation and/or fraud, in and of itself, may suffice to establish such a cause of action. Those cases, however, are either inapposite or do not stand for the proposition noted.

One of the cases advanced by the plaintiffs in their motion for

reconsideration is *H.L. Hayden Co. of New York, Inc. v. Siemens Med. Sys., Inc.*, 879 F.2d 1005 (2d Cir. 1989). While Sears asserts that in that case the Second Circuit held that *either* deception or misappropriation would suffice to support a cause of action for unfair competition, a careful reading of that decision reveals that this is not the case. Rather, in making the statement attributed by the plaintiffs to that court the Second Circuit was merely reciting the basis for the lower court's decision under scrutiny in that appeal, in which it had rejected an unfair competition counterclaim asserted by the defendant. *Id.* at 1025. Nowhere in its decision in *H.L. Hayden* does the Second Circuit ratify this statement as being consistent with the New York law of unfair competition.

Similarly the Second Circuit's passing reference in *Societe Comptoir De L'Industrie Cotonniere Etablissements Boussac v. Alexander's Dept. Stores, Inc.*, 299 F.2d 33, 36 (2d Cir. 1962), to the effect that "[c]ommon law unfair competition must be grounded in either deception or appropriation of the exclusive property of the plaintiff", represents mere dicta and was neither stated as a holding nor even expanded upon by the court in the decision in that case. *See id.* at 36. Significantly, the discussion which follows that statement reflects that the court's focus was upon whether property, tangible or intangible, was misappropriated, or

"pirat[ed]," lending support to the defendants' position that some degree of misappropriation is required in order to sustain an unfair competition claim. *Id.*

It is true that the court's decision in *NYC Management Group Inc. v. Brown-Miller*, 03 Civ. 2617, 2004 U.S. Dist. LEXIS 8652, at *30 (S.D.N.Y. May 13, 2004) appears to support plaintiffs' argument. That decision, however, merely reiterates and quotes the Second Circuit's decision in *H.L. Hayden Co.* which, as I have already noted, did not hold that a misappropriation was not required to support an unfair competition claim in New York, but rather merely recited the basis for the district court's findings without endorsing this expansion of New York law. For this reason, I respectfully decline to follow *NYC Management Group* to the extent that it may be viewed as supportive of plaintiffs' argument.

As has been stated, in New York the tort of unfair competition is comprised of two distinct elements, one addressing the misappropriation of property or commercial advantage and the second focusing upon the manner of the misappropriation. It is the second element that admits of expansive and varied definitions. That plaintiffs have seized upon the elasticity of this second element, losing sight of the misappropriation requirement, rings clear from their reliance upon such cases as *Dior v.*

Milton, 9 Misc.2d 425, 155 N.Y.S.2d 443 (N.Y. Co. Sup. Ct. 1956). There, addressing the unfairness element, the court concluded that it could be satisfied in a variety of ways including by a showing of fraudulent representations. 9 Misc.2d at 436-37, 155 N.Y.S.2d at 457. Significantly, earlier in its decision in that case the court had reinforced that the law of unfair competition required "some property rights in the plaintiffs and interference with and misappropriation of them by defendants" as "necessary to [an unfair competition] cause of action." *Id.* at 435, 155 N.Y.S.2d at 456.

The case principally relied upon by the plaintiffs in support of their request for reconsideration is *Montegut v. Hickson, Inc.*, 178 A.D. 94, 164 N.Y.S. 858 (1st Dept. 1917). In that action a five member panel of the First Department of the New York State Supreme Court, Appellate Division, over the strong dissent of two justices, affirmed a lower court finding of unfair competition based upon facts suggesting that the defendants had obtained products, in this case "high grade" dresses, purchased from the plaintiff by someone under the guise of being bought for private use. *Id.* at 96-97, 164 N.Y.S. at 859-60. The gowns were thereafter delivered to the defendant which, after removing identifying labels, proceeded to sell them as its own product. *Id.* at 96, 164 N.Y.S. at

859. The court concluded that the defendant had obtained possession of plaintiff's "exclusive artistic creations" by fraud and deception, and had represented them as their own, thereby misappropriating trade which otherwise would have been enjoyed by the plaintiffs. *Id.* Under these circumstances, then, the showing of fraud and deception was in fact accompanied by a corresponding, and required, misappropriation, thus supporting defendants' position.

In sum, as one court has noted, the essence of an unfair competition claim is that "one may not misappropriate the results of the labor, skill, and expenditures of another[.]" *Link Co., Inc. v. Fujitsu Ltd.*, 230 F. Supp.2d 492, 500 (S.D.N.Y. 2002). Because the plaintiffs in this case have failed to allege the requisite misappropriation necessary to support a claim of unfair competition, I decline their request for reconsideration of my prior order.

III. SUMMARY AND ORDER

Plaintiffs' motion for reconsideration calls upon this court to review its prior order and determine whether there is a need to correct a clear error of law or prevent manifest and justice. Finding no reason to conclude that such has occurred, I deny their request for reconsideration. It is therefore hereby

ORDERED, that plaintiff's motion for reconsideration (Dkt. No. 110) is DENIED in all respects.

Dated: May 9, 2006
Syracuse, NY

David E. Peebles
U.S. Magistrate Judge

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